

MAY-10-1995 06:57 FROM SECTION 41

TO

12129075815 P.02

41-19-04-

Big John's
Youngstown, Ohio 6 stores

1-6A5
1400 APW Total (ind)
PM EXCLUSIVE 60% PM
200% RTR



Retail Partner Programs
1995 Retail Merchandising
1995 Retail Co-Marketing

PP Reynolds

2077384719

P. 2

TEL 12167537046

KUICK-COPY PR15.

MAY 5 '95 15:42

PHILIP MORRIS USA
Section 41

FAX #: 513-831-1131

TELEPHONE #: 513-831-1100

LOCATION: 400 TECHNECENTER DRIVE
MILFORD, OHIO 45150

To: MARK BELKER

From: MARK CREIGHTON 4/50m

Date: 5/10

Message: LIED ON THE E-MAIL. TOO
EASY TO JUST FAX.

Pages (including cover)

2077384720

Potential Merchandising Payments

Big John's

\$1,020	<i>Base Participation Components Advantage Position</i>
\$1,020	Total Monthly Payments All Stores
\$170	Average Monthly Payments Per Store
<u>\$12,240</u>	<u>Total Annual Payments / All Stores</u>

RJ Reynolds
Tobacco Company

2077384721

UNCLASSIFIED

DATE OF DECLASSIFICATION

2025 06 09 Rev
TOTAL P.15

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██████████ Co-Marketing Accrual

TEL 12157587046

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May 5 '96 15:54

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Big John's

\$40	RJR (Base)
\$20	Retailer (Match)
\$20	RJR (Match)
\$480	Total Promo Value All Stores
\$80	Average Promo Value Per Store
<u>\$5,760</u>	<u>Total Annual Promo Value / All Stores</u>


REYNOLDS COMPANY

MAY-10-1995 07:02 FROM SECTION 41

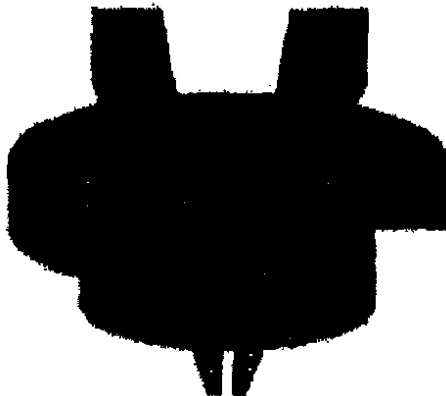
TO

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**Total Retail Partners
Earnings Potential**

Big John's

\$1,380	Total Earnings - Monthly - All Stores
\$16,560	Total Earnings - Annual - All Stores



PPS
KALIK-KOPY PRTE.

2077384723

P.14

TEL 12167587045

KALIK-KOPY PRTE.

MAY 5 '95 15:55

P.15

TEL 12167587846

KWIK-KOPY PRtg.

MAY 5 '95 15:56

2077384724

Big John's

**We look forward to working with you
as a partner to achieve success in
meeting the needs of our consumers
and cigarette category objectives in
1995.**

Thank You !

RJReynolds
Tobacco Company

MAY-18-1995 07:02 FROM SECTION 41 TO 12129075815 P.12

The Co-Existence Strategy

Co-Existence is Best For the Retailer



Don't Sell Yourself Short!

R.R. Reynolds
Tobacco Company

2077384725

1995 Co-Marketing Promotion Accrual Program Co-Marketing Program Changes

Program Comparison	
1995 Program	New Program
RJR Volume Based	Industry Volume Based
Small volume categories	Large volume categories
EDLP Accounts - Tot Category Partner	EDLP Accounts Only
New-EDLP Accounts - Merch. Partner	Primarily Defensive Activity
Offensive & Defensive Activity	(Discounting)
Premium Menu - Total Category Partner	No carryover of unused funds
Funds carryover with RJR approval	Same Rate applied to all participants
(not in subsequent years)	No Mandated Match
Rates differ on partnership level	No Promotional Platform Requirement
- Total Category Partner - Maximum rate	
- Merchandising Partner - Lower rate	
Match required for Merchandising Partner	
Promotional Platform required for both	
Carton & Cigarette Outlets	

RJR

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P.10

TEL 12167557045

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May 5 '95 15:48

MAY-10-1995 07:01

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12129075815

P.10

1995 Co-Marketing Promotion Accrual Program
Applies to both Pack and Carton Outlet Co-Marketers

Co-Marketing Partnership Program	
Local Market Partner	Manufacturing Partner
RJR Base Merchandising Elements	RJR Base Merchandising Elements
RJR Everyday Lowest Price in all applicable Price Tiers * (RJR may not be disadvantaged)	No RJR EDLP in all applicable Price Tiers *
Maximum per carton rate	Lower per carton rate
Premium Menu Option (RJR discretion)	No Premium Menu Option
Co-Marketing Base and Match options	Co-Marketing Match option only

* EDLP determined on a non-promoted basis

[Signature]
 Thomas D. [illegible]

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TEL 12167587246

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May 5 '95 13:46

MAY-10-1995 07:01

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P. 8

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May 5 '95 15:46

1995 Merchandising Program Requirements

Pack Outlets *(continued)*

- Provide RJR share of space equal to RJR share of market on carton merchandisers, if applicable. Minimum acceptable space as determined by an RJR Representative.
- Ensure RJR brands are represented in all price tiers as required.
- Ensure adequate quantity of RJR brands are maintained to minimize out of stock, including brands designated for display.
- Provide RJR equal opportunity to place temporary promotional displays and signage, as requested.
- Accept new RJR brand styles as requested by RJR Representative.
- RJR reserves the right for final approval of display / advertising sizes and locations.

RJR
R.J. REYNOLDS
TOBACCO COMPANY

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MAY-10-1995 07:00

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1995 Merchandising Program Requirements Pack Outlets

- **RJR Full Price Display in Primary Position**
- **RJR Full Price Display is in a 2nd, 3rd, or 4th Full Price Position**
- **RJR Savings Brand Display in a Primary Savings Position**
- **Display RJR "Lowest" brands, if applicable**
- **Provide RJR accurate volume information. Authorize primary and other suppliers to release brand style volume information to RJR.**
- **Provide RJR share of available signage (excluding signage on fixtures / displays) equal to RJR share of market.**

RJ Reynolds
Tobacco Company

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1995 Merchandising Program - Pack Outlets

Program Comparison	
Old Program	New Program
Industry Volume based	RJR Volume - Pay for performance
Volume ranges	Volume ranges
- Broad	- Multiple
- Capped near trade average	- Competitive in high volume accounts
Base requirements	Base requirements
- 1 Full Price display	- 2 Full Price display
- 1 Savings display	- 1 Savings display
- Enhanced sign	
Minimal additional signage requirement	Share of signage equal to RJR SOM
Enhancement option - Payment flexibility	Enhancement option - Payment flexibility
Component (stand alone) option	Component (stand alone) option - Payment flexibility
Minimum Volume requirement	Minimum Volume requirement
- 76 Industry CPW	- 100 Industry CPW - 17 RJR CPW

RJ Reynolds
Tobacco Company

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P. 5

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MAY 5 '95 15:44

Retail Partners Program

Summary of Changes

● **Merchandising**

- Shift to performance based merchandising -- RJR volume.
- Linkage to marketing objectives at retail -- 2 full price feature displays and 1 savings.
- Increase quality of retail presence.

● **Co-Marketing**

- Co-Marketing Funds used offensively / defensively -- expanded universe.
- Co-Marketing Funds -- Greater impact / Point of difference.
- Co-Marketing Funds -- Linked to merchandising and RJR volume.

● **Program Management**

- Partnership approach to retail needs / priorities.
- Field sales flexibility -- decentralized trade support.
- Improved efficiencies and targeting for long-term growth.

RJR
Tobacco Company

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Retail Partners Program Strategic Direction

- **RJR's Objectives are fully integrated with our Retail Trade Customers' needs.**
- **RJR will work to do what is best for RJRT, our Retail Trade Partners, and our mutual consumers, versus simply following competition.**
- **RJR fully understands and anticipates change in the retail environment to be on the leading edge of new strategies, services, programs and technology to meet or exceed expectations of our retail customers.**
- **RJR is best positioned to serve as the "Category Advisor", supporting business partnerships which will drive consumer impact and responsiveness.**
- **Reinforces RJR's approach of "Working For Smokers".**



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4-19-04

Retail Partners Program Background

- **The cigarette industry has changed dramatically over the past few years:**
 - *Price rollback*
 - *Competitive retail programs*
 - *B&W / ATC merger*
- **RJR's and retail trade needs have also changed:**
 - *Link trade programs*
 - » *Retail Merchandising*
 - » *Retail Co-Marketing*
 - » *Distributor Programs*
 - *Improve quality of retail presence*
 - *Reward retail trade for supporting RJR strategic brands*
 - *Construct strong foundation for future growth of category*



RJR
Tobacco Company

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